

FANNIE MAE & FREDDIE MAC 97/3

I. PROGRAM SUMMARY

PROGRAM DESCRIPTION	<p>The Fannie Mae & Freddie Mac 97/3 program provides enhanced affordability and homeownership opportunities to borrowers that meet specified income requirements. The program consists of two loans:</p> <ol style="list-style-type: none"> 1) A 97% LTV fixed-rate first loan (10 – 30 year or 7/1 or 10/1 ARM), originated under the investor's guidelines, and 2) A 3% Mortgage Insurance Services Silent Second Loan Program (SSLP). The proceeds of the silent second can be used for the down payment and/or closing costs. The second loan has a simple interest rate, currently 5%, with a term of 30 years; however, payments on the second loan are deferred for the life of the first loan (see Repayment of Silent Second Loan below). <p>The participating lender draws and funds both the first and second loans; after the loan closes and the investor purchases the first loan, CalHFA purchases and services the second loan.</p>
TARGET MARKETS	<p>This program is intended for California high-cost counties where borrowers have the income to service the debt, but may need down payment assistance to qualify for a loan.</p>
PARTICIPATING LENDERS	<p><u>Delegated:</u></p> <ul style="list-style-type: none"> • North American Mortgage Corporation/Washington Mutual • CUNA • Wells Fargo • Bank of America <p><u>Non-Delegated:</u></p> <ul style="list-style-type: none"> • GMAC • Guild
BORROWER ELIGIBILITY	<p>Borrowers must meet the following requirements:</p> <ul style="list-style-type: none"> • Be a U.S. citizen or permanent resident alien • Not own other residential dwellings except a home which they are selling at or prior to the purchase of the subject property • Occupy the property as their primary residence; non-occupant co-borrowers are not allowed
PROPERTY ELIGIBILITY	<p>Properties must meet all of the following requirements:</p> <ul style="list-style-type: none"> • Be a single-family residence (SFR), including approved condo/PUDs • Condo/PUDs must meet investor requirements. Mortgage Insurance Services reserves the right to limit the number of loans in any project. • Manufactured housing may be considered, on a case-by-case basis • Mortgage Insurance Services will accept Fannie Mae 1028 warranties on new construction projects

DOWN PAYMENT REQUIREMENTS	0%
BORROWER MINIMUM CONTRIBUTION	Borrower must have 1% of own funds to apply toward the transaction.
TRANSACTION TYPE	Purchase transactions only.
MAXIMUM SALES PRICE	None stated.
MAXIMUM LOAN AMOUNT	First Loan: Up to current conforming loan limits Second Loan: 3% of the lesser of the sales price or appraised value of the subject property
INCOME LIMITS	Borrower's income cannot exceed 120% of the HUD median income for the area in which the borrower is purchasing. In high-cost areas, the borrower's income cannot exceed 140% of the HUD median income. High-cost counties include: Alameda, Contra Costa, Los Angeles, Marin, Monterey, Orange, Napa, San Benito, San Diego, San Francisco, San Luis Obispo, San Mateo, Santa Barbara, Santa Clara, Santa Cruz, Solano, Sonoma, and Ventura.
MORTGAGE INSURANCE	Mortgage insurance from Mortgage Insurance Services is required on the first loan, as follows: <u>MI Premium Plan #709:</u> Coverage: 50% Cost: 95 bps Due: Monthly The Mortgage Insurance Services silent second loan is not insured.
SELLER CONTRIBUTIONS	Seller contributions are acceptable, up to 3% of the sales price; must be used for non-recurring closing costs only.
BUYDOWNS	Permanent buydowns are allowed; no temporary buydowns.
REPAYMENT OF MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN (SSLP)	Payment of principal and interest on the Mortgage Insurance Services silent second loan is due and payable when: <ul style="list-style-type: none"> • The first Note and Deed of Trust become due and payable; • The first Note and Deed of Trust loan is paid in full; • The first Note and Deed of Trust is refinanced; • The Property is sold; • Until and in the event of the formal filing and recording of a notice of default, unless rescinded, OR • If the property is no longer occupied as a principal residence by the borrower. <p>Upon the occurrence of any of the above, the entire principal and interest on the loan is due and payable. Prepayment penalties are not permitted.</p> <p>Mortgage Insurance Services silent second loans are not assumable.</p>
PURCHASE OF MORTGAGE INSURANCE SERVICES SILENT SECOND LOAN - PROCESS FLOW	Refer to Mortgage Insurance Services Bulletin #02-2002 for loan delivery and purchase information. http://www.calhfa.ca.gov/homeownership/cahlif/cahlifbulletins02.htm

II. UNDERWRITING CRITERIA

MINIMUM FICO SCORE	Borrowers must have a minimum FICO credit score of 620, or greater. Borrowers with no credit score are allowed, if an acceptable non-traditional credit report is developed.
RATIOS	For FICO scores between 620-659: debt-to-income ratio cannot exceed 41%. For FICO scores of 660 or greater: debt-to-income ratio cannot exceed 45%.
CASH RESERVES	Borrower is required to have two months cash reserves to cover PITI.
HOMEBUYER ED. REQUIREMENT	Certification is required that the homebuyer education requirement has been completed.
SUBORDINATE FINANCING/SILENT SECOND LOAN	Since loan repayment is deferred, the repayment is not included in the qualifying ratios.
INCOME REQUIREMENTS	Refer to investor guidelines.

IMPORTANT DISCLOSURE INFORMATION:

The information provided in this program description is for guidance only. While we have taken care to provide accurate information, we cannot cover every circumstance nor program nuance. Lenders will need to refer to investor guidelines for specific underwriting and compliance issues. Lenders should be aware that Mortgage Insurance Services' underwriting guidelines are for mortgage insurance only, and not necessarily the same as restrictions imposed by the investor. The more restrictive guidelines apply. This program description is subject to change from time to time without prior notice.

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